

## **EFFECT OF BORDER ENVIRONMENT ON TRADE AND POLITICAL RELATIONS OF INDO-CHINA**



**RAJIV**

Research Scholar, Singhania University  
Jhunjhunu, Rajasthan, India

### **ABSTRACT:**

This study investigates how border tensions between China and India have affected the economic relationship and the political partnership between these two countries over the last 50 years. China and India have been at odds over their borders since the initial establishment of the McMahon line in 1914. Since the Indo-China War in 1962, mistrust and disputes regarding the actual border have reigned, seemingly affecting the relationship at all levels. In spite of enduring political tensions, an economic relationship has blossomed to the point that China is now India's largest trading partner. While bilateral trade is expected to top US\$60 billion in 2010-11 ending March 31, according to latest official estimates, and is likely to continue to increase, the border issue remains virtually unchanged from 50 years ago. Although economically lucrative Indo-China relations are riper for competition than cooperation, the border dispute has become increasingly problematic for both parties.

## **INTRODUCTION**

“Economic ties between India and China are rapidly emerging as one of the most important bilateral relationships in the world.”

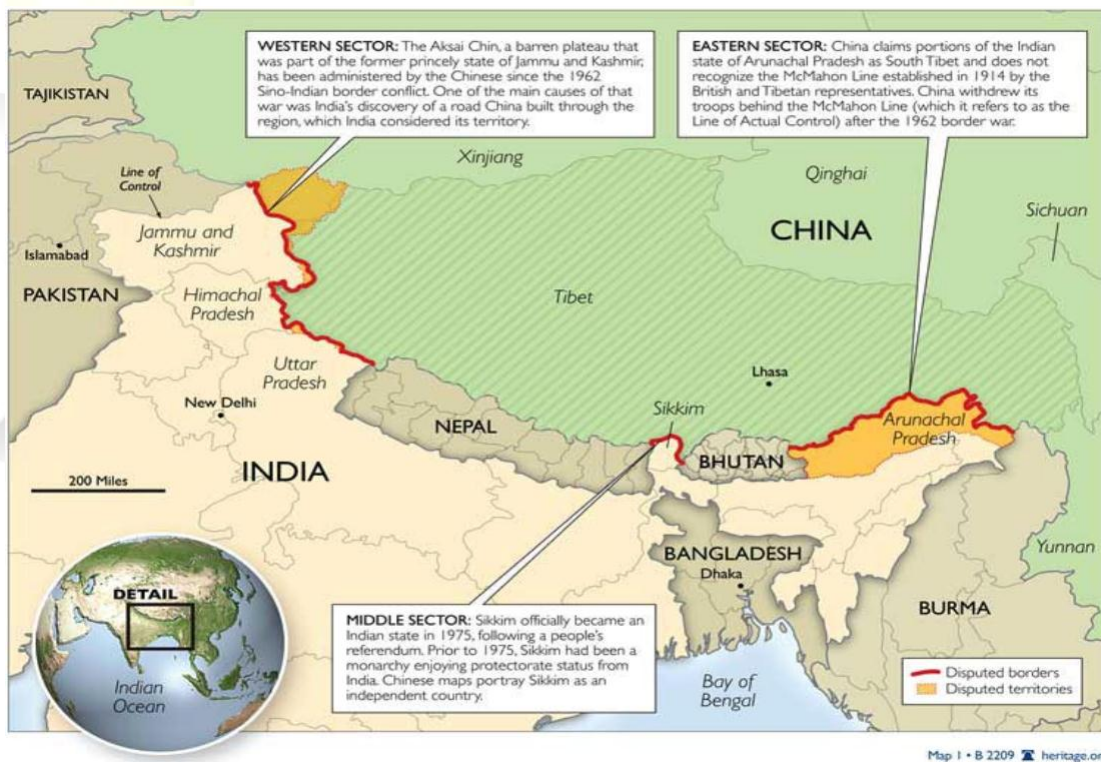
China and India make up more than one-third of the world’s population and an ever-increasing portion of the world’s gross domestic product. These two rising nations’ growing, interdependent economies are a major stabilizing force in an otherwise complex and fragile relationship-one highlighted by a fifty-year old border dispute that in the past has caused their economic partnership to wane and even cease. This territorial dispute has lingered for too long. Although both countries are currently willing to overlook their border differences in the interest of economic gain, the delay in resolving this issue has the potential to backfire in the near future. The purpose of this paper is to bring to light the historical background shaping the dispute, highlight possible reasons for the lack of progress, and identify the likely outlook if left unresolved.

### **The Geography Of The Border Despite**

China and India have been at odds over their border since the British drew a line separating the two nations. The Chinese never accepted the legal boundary established in 1914 by Britain’s Sir Arthur Henry McMahon, known as the McMahon Line. In fact, China and India are “the only countries in the world not separated by a mutually defined frontline.”<sup>2</sup> The border dispute in these remote and sparsely populated areas is less grounded in geographic strategic advantage than irredentism.

The area that is the primary source of the Sino-Indian border dispute is that of Arunachal Pradesh. This territory is currently under the de facto control of India. Some experts believe that when McMahon created the line, he pushed Indian control north of the customary line by 100 km, which equates to approximately 90,000 sq. km. of territory, allegedly then under Chinese jurisdiction but now belonging to India.<sup>4</sup> Others talk of two borderlines between India and China, the conventional border and a Line of Actual Control (LAC). The conventional border (customary line) existed before the modern era and followed the traditional movement of government and people in the region. The Line of Actual Control is the basis for India's stance.

Map 1. Disputed Borders Between India and China.



Source: Lisa Curtis, "U.S.-India Relations: The China Factor," The Heritage Foundation, November 25, 2008, <[http://www.heritage.org/ Research/Reports/2008/11/US-India-Relations-The-China-Factor](http://www.heritage.org/Research/Reports/2008/11/US-India-Relations-The-China-Factor)> (December 15, 2010).

Although not nearly as large as Arunachal Pradesh, there are two other border areas under

dispute. The disputed territory of Aksai Chin in Eastern Kashmir, which is nearly 30,000 sq. km. in size and located in the so called "Western Sector" at the interchange of the Western parts of Xinjiang and Tibet regions. This territory is within the framework of the traditional and customary borderline and is under China's control. A little further southeast, in the so-called "middle sector", exists the Indian state of Sikkim. It is approximately 2,000 sq. km. of land located northwest of the China-Nepal region and is also under dispute.

The total disputed boundary area is equal to approximately 125,000 sq. km. of land (see Map 1).

Since the 1950s, the Chinese have aggressively contested India's ownership of the Aksai Chin region of India. In the 1960s, China even constructed a main transportation route across Aksai Chin connecting China's Xinjiang-Uygur Autonomous Region with Tibet.<sup>8</sup> Issues such as these led to a number of military skirmishes and mounting tensions between the two nations. After a number of smaller military attacks into the disputed area of Aksai Chin, on October 20, 1962, Chinese forces launched a massive, multi-pronged attack. After 30 days of fighting, China declared a unilateral ceasefire along the entire border and announced the withdrawal of its troops to 20 km. behind the LAC. Border tensions between India and China have ebbed and flowed since the Sino-Indian war of 1962, mostly in tune with the economic situation between the two countries. The recovery from the conflict has been slow and fraught with tension and mistrust.

## **Political talks and economic engagement 1950s to 2000s**

### **1950s**

On April 1, 1950, China and India first established diplomatic relations, when India appointed Sardar Kavalam Madhava Panikkar as the first Ambassador to China. Diplomatic relations were still relatively new in China. At that time, India was only the second non-socialist country

to establish diplomatic relations with China.

Few years in Indo-China relations would be as fruitful as 1954. Progress was made on a host of political and economic issues, which produced signed agreements, to include documents on improving trade and diplomatic relations. On April 29, 1954, Chinese Premier Zhou Enlai and Prime Minister **Jawaharlal Nehru** signed the “Sino-Indian Agreement on Trade and Intercourse between India and the Tibet region of China” in Beijing. The arrangement was for an eight year period with mutual renewal options. On May 15, 1954, Zhou and Nehru exchanged visits and jointly initiated the famous “Five Principles of Peaceful Coexistence.” They were:

1. Mutual respect for one another's territorial integrity and sovereignty;
2. Mutual non-interference in each other's internal affairs;
3. A mutual commitment to non-aggression against each other;
4. Equality and mutual benefit;
5. Peaceful coexistence.

However, the 1954 agreement did not resolve the border issues. Warming relations reached the international stage when Nehru welcomed China as a new Asian nation at the 1954 Geneva Conference. Furthermore, India pushed the UN to accept the People's Republic of China as a member. In September 1954, India expressed its regret to the General Assembly when the People's Republic of China's admittance was postponed. On October 14, 1954, Nehru and Zhou signed a second Indo-China trade agreement in Beijing, establishing the Sino-Indian Friendship Associations in both countries. This two-year agreement outlined the goods authorized for trade. It was later followed by Zhou's inaugural visit to India, where he also stressed the Five Principles of Peaceful Coexistence. Because of these newly established trade arrangements, Sino-Indian trade increased from US\$4.4 million in 1953 to US\$6.9 million

in 1954, and from US\$19.7 million in 1955 to US\$25.5 million in 1956. A third trade agreement was signed May 25, 1957, which extended the previous agreement to December 31, 1958. Although Nehru, Zhou, and their representatives did their best to promote positive relationships, the second half of the 1950s saw tensions heightened between the two countries. Sources of tension included China redrawing its official map to include the most northern frontier of India in 1955, India's official opposition to China's inclusion of a large portion of Northern Assam and the Northeast Frontier Area (NEFA), and the detention of Chinese nationals who illegally entered the Indian province of Ladakh. Finally, India granted asylum to the fleeing Dalai Lama March 31, 1959 angering the Chinese who suspected India of aiding Tibetan rebels, causing the deteriorating situation in Tibet. The situation continued to escalate to the point in 1959, that soldiers on both sides of the border exchanged gunfire resulting in the capture and eventual killing of Indian soldiers by the Chinese. Fruitless diplomatic exchanges addressing the border dispute took place throughout the second half of the decade. The impasse was over the fundamental starting point for negotiations. India saw it as the McMahon Line, while China saw it as the actual position on the ground. Although the Sino-Indian Agreement on Trade and Intercourse between India and the Tibet region of China remained in effect, mounting tensions and the rattling of sabers were derailing economic progress.

## **1960s**

The situation going into 1960 intensified at a rapid pace, with both countries conducting incursions into the other's territory, while Nehru created the so-called "Forward Policy". The Forward Policy established military posts in Ladakh, so India would have a means to retake territory lost to Chinese attacks if it sought, as well as to deter further Chinese aggression. This action incensed the Chinese and was one of the leading factors in increasing tensions. In June of 1962, as both countries rejected demands for withdrawals of the other's forces, subsequent

political tensions affected their economic relationship, and the Sino-Indian Agreement on Trade and Intercourse between India and the Tibet region of China collapsed. Trade was reduced to a mere US\$3.6 million, a figure significantly lower than the pre-agreement period. After the Indo-Chinese war during the fall of 1962, tensions remained high throughout the 1960s. Contributing to this strained environment was the emergence of a Sino-Pakistan alliance, military and economic aid provided to India by Russia and the U.S., and China's self-imposed isolation during the "Cultural Revolution" (1966-1969). By the end of the "cultural revolution", China began a more open and engaging foreign policy. India soon saw this as an opportunity to re-engage China. As such, in January 1969, India indicated a desire to re-establish relations with China under the "principle of mutual respect of each other's sovereignty and territorial integrity and non-interference in internal affairs."

## **1970s**

In 1970, an Indian olive branch was carried forward, and informal diplomatic contacts between India and China were made. Subsequently, both countries made failed attempts at jumpstarting formal dialogue. However, by 1976, the two nations did restore the 15-year void in ambassadorial-level diplomatic ties. This led to a 1979 visit to China by India's Foreign Minister Atal Bihari Vajpayee, making it the first high-level visit between the two countries since 1960. This period also marked the implementation of economic reforms in China, including an outward orientation. So significant was the event that Chinese Premier Deng Xiaoping touted it as the second revolution, the first being the 1949 political liberation of China. In light of China's economic reorientation, India took major steps toward the liberalization of its economic policy.

By the end of the decade, China moderated its pro-Pakistan position on Kashmir and on the issue of India's absorption of Sikkim. China also agreed to reopen discussions regarding the

border dispute and trade officially resumed. Virtually no Sino-Indian trade had been occurring since 1960, (US\$2.5 million in 1977), these monumental events facilitated greater bilateral trade between these two neighbors. Economic liberalization also nurtured a “warming peace” between the nations as well as promoted peace along their periphery. In the 1990s, subsequent steps were taken by both nations to further liberalize their respective economies leading to greater bilateral trade and their eventual entrance into the World Trade Organization (WTO).

### **1980s**

At the beginning of this decade, virtually no trade was taking place between China and India. By the end of 1980, US\$96 million in bilateral trade had taken place. In 1981, Chinese Foreign Minister Huang Hua visited India. An outcome of the visit was a commitment to hold annual Vice-Minister level dialogue between the two countries to address the border dispute. Three years later, warming relations led to India's Commerce Secretary Abid Hussain signing a Most Favored Nation Agreement with China's Vice-Minister Lu Xue Jian, while disagreements over the McMahon line and Chinese condemnations over the inclusion of the Arunachal Pradesh as a state of the Indian Union persisted. When China built a military post along the China-India border in 1986, India responded by making Arunachal Pradesh an Indian state in 1987, resulting in both countries deploying troops to the border. Cooler heads subsequently prevailed. India's Prime Minister Rajiv Gandhi sent Purshottam Narayan Haskar, a renowned Indian political strategist to China as his special envoy to engage high-level leaders in discussion to circumvent any further escalations of tensions over border issues. A year later, Gandhi visited China, further signaling India's desire for warmer relations.

The outcome of Gandhi's visit was a joint statement emphasizing the necessity to restore friendly relations based on the Panchsheel agreement (Five Principles of Peaceful Coexistence) first established in 1954. This was the first visit to China by an Indian prime

minister since Nehru's visit in 1954. Eight rounds of Sino-Indian border talks occurred between December 1981 and November 1987 without any successful outcome. In a joint press announcement issued on December 23, 1988, following Gandhi's visit, there was little mention of political differences. The communiqué released stated:

“The Chinese side expressed concern over anti-China activities by some Tibetan elements in India. The Indian side reiterated the long-standing and consistent policy of the Government of India that Tibet is an autonomous region of China and that anti-China political activities by Tibetan elements are not permitted on Indian soil.”

The visit by Gandhi is often identified as a substantive turning point, or break-through, in India-China relations. Gandhi's visit also led to the broadening of bilateral efforts in pursuit of a “mutually acceptable solution to the border dispute.” Just over a year later, Gandhi again visited China and agreed to set up a Joint Working Group to discuss the boundary issue. In addition, he also signed an Economic Relations, Trade, Science and Technology Joint Group agreement. This Ministerial level India-China arrangement was created to discuss extensive trade-related issues to facilitate mutual trade and commerce. In spite of the signing of the Most Favored Nation agreement between China and India, by the end of the decade bilateral trade was only US\$190 million. This low trade figure is a reflection of the on-going border dispute and the deepening of Sino-Pakistani relations, which included the transfer of equipment and technology by China to Pakistan in support of Pakistan's nuclear weapons and ballistic missile programs.

### **1990s**

The 1990s was a decade of immense progress on both the political and the economic front. Historic border dispute rhetoric waned during this period. China and India reestablished their relations at the highest levels and foundations were reworked for improving relations.

Between 1988 and 1993, six rounds of border talks were conducted. In 1991, after a 31-year absence of a top-level visit, Chinese Premier Li Peng visited India and promised to resolve the boundary issue through friendly dialogue. Indian President Ramaswamy Venkataramanan reciprocated and continued the top-level dialogue with a visit to China in May 1992. In July 1992, border trade resumed after being closed for 31 years and a consulate reopened in Bombay that December. In June 1993, a consulate in Shanghai opened and both sides set in motion the establishment of a second border trading post. During Indian Prime Minister P.V. Narasimha Rao's visit to China in September 1993, he signed agreements on Border Peace and Tranquility and assisted in the establishment of the India-China Expert Group of Diplomatic and Military Officers to assist in advancing the agreement. In 1994, Indian Vice President, K. R. Narayanan, also visited China. China rewarded India for this visit by refusing to support Pakistan, an important Chinese ally, at the Human Rights Commission on alleged human rights violations in Kashmir. Just a year later, in a show of improved relations, India and China agreed to pull back troops stationed in the Sumdorong Chu Valley of Arunachal Pradesh.<sup>46</sup> India and China also arranged for annual diplomatic consultations between their foreign ministers to form a ministerial level committee to address economic and scientific cooperation and a working group to address the border issue. These arrangements were intended to seek a political solution to the border issue in order to accommodate "their long-term interests and overall bilateral relationship." Two years later, Chinese President Jiang Zemin visited India. During his visit he separated China's Pakistan policy from its India policy, and signed an agreement on military Confidence Building Measures (CBM) to further diffuse the situation along the LAC in the India-China border areas.

In 1998, Sino-Indian relations quickly took a turn for the worse when India conducted several nuclear tests while at the same time pursuing talks with China on the reopening of the Ladakh-Kailash-Mansarovar route, an important pilgrimage route to one of Hindu's most sacred shrines. China interpreted India's nuclear device testing (Pokhran II) as a coercive act, a

means of executing its Chinese containment policy, and an attempt to intimidate it over their border dispute [emphasis added]. This perception was reinforced by a comment made by Indian Defense Minister George Fernandes when he stated that China was India's number one threat. China subsequently stated that Pakistan's nuclear testing was a natural response to India's hegemonic aggression.

## **2000s**

During 2003, China and India reached ten agreements and a Declaration on Principles for Relations and Comprehensive Cooperation. In June 2003, Chinese Premier Wen Jiabao invited India's Prime Minister, Vajpayee, to visit China. The two leaders recognized their mutual interest in improving dialogue and openly promised to "... build a long- term constructive and cooperative partnership to peacefully promote their mutual political and economic goals without encroaching upon their good relations with other countries." During the visit, Vajpayee spoke of establishing high-level special representatives to address the border dispute: "We should focus on the simple truth that there is no objective reason for discord between us and neither of us is a threat to the other."

Establishing high-level special representatives was of great significance. It acknowledged the ineffectiveness of foreign secretary level talks that took place in the 1980s and the 15 rounds of talks held by the Joint Working Group (JWG), particularly over the demarcation of the border. Of primary importance to India was the inclusion of a memorandum signed on

expanding border trade. Another major outcome from Vajpayee's visit was an agreement to coordinate their World Trade Organization (WTO) strategies in support of their mutual interests as well as those of other developing countries. Both countries are inimitably well-positioned for bilateral collaboration since they share so many similar trade-related interests. During the visit, India's Vajpayee's also was unambiguous about India's position on the Tibet Autonomous Region belonging to the China, stating that India would not

allow "...Tibetans to engage in anti-China political activities within India." His comments were a reiteration of earlier comments made by (then) Prime Minister Gandhi back in December 1988. China subsequently acknowledged the trade route through the Nathu La Pass to the previously contested Indian state of Sikkim, "implicitly recognizing it as part of India." This visit also included the leaders' direction for special envoys to conduct border talks in order to find a "political solution" to the boundary issues vice using historical or legal claims. India indicated its willingness to forego claims to Aksai Chin in Ladakh hoping that China would relinquish its claim to Arunachal Pradesh and accept the McMahon Line. China did not respond in kind. It later became clear that China wanted the Tawang district in Arunachal Pradesh ceded to China in order to accommodate Tibetians making pilgrimages to this site. India declined the demand reiterating its position that "any areas with settled populations would be excluded from territorial exchanges." In June 2005, Chinese Premier Wen Jiabao visited India. He used the visit to announce a plan to finalize an agenda for the development of India-China trade and economic cooperation for the next five years. Wen's visit also led to an 11 point framework that both countries special representatives would use hence forth in conducting border negotiations. The details of the framework signify a positive progression from a legal-historical approach to a purely political approach.

"The territorial accord commits India and China to resolving their border dispute peacefully. Any settlement would cover the entire border, parts of which are not demarcated. The accord implied that China and India eventually would keep the territories they control. For the first time, we are getting indications of a resolution."

In July 2006, in a very symbolic showing of improved ties and ability to look beyond the political to the economic, the two countries opened the Nathu La Pass (the famed Silk Road) to bilateral trade for the first time in more than 40 years. In November 2006, Chinese President Hu Jintao made an official state visit to India further cementing Sino-Indian relations. Seizing

the opportunity to build on increasing economic activity, the two countries agreed upon expanding collaboration in areas where they had typically been portrayed as rivals, such as energy, security and defense. The year 2006 was also highlighted by the development of a framework for establishing political parameters and guiding principles for border talks.

In 2007, both countries released a report saying that a Free Trade Agreement (FTA) between the two countries was feasible. However, this report caused many Indian industrial lobby groups, such as the Federation of Indian Chambers of Commerce and Industry (FICCI), to voice their opposition to a China-India free trade agreement, as they believe that reductions in tariffs will harm Indian industry.

In January of 2008, Prime Minister Manmohan Singh met Chinese President Hu Jintao in Beijing. The two leaders, like many of their predecessors, vowed to promote relations at the highest level and to increase bilateral trade. While Indian-Chinese trade relations moved forward, China led incursions into the Indian states of Sikkim and Arunachal Pradesh.” In 2009, things took another turn for the worse. That April, China tried to block a US\$2.9 billion Asian Development Bank loan to India, which included funding for a flood control project in the disputed region of Arunachal Pradesh. Just three years earlier, the Chinese ambassador to India stated that Arunachal Pradesh belonged entirely to China. Much to the chagrin of China, India did obtain the ADB funding in June with the supposed support of the U.S. and Japan. This angered the Chinese even more, and they continued to vehemently protest the loan.

Responding to the increasingly tense relationship, India announced the deployment of 60,000 additional soldiers, tanks, and two squadrons of attack aircraft to the Indian state of Assam near Arunachal Pradesh. Total troops in that area now numbered close to 100,000.

China responded by publishing an editorial in the official Global Times on June 9, 2009 with a warning to India not to directly provoke China and questioned India’s ability to

withstand the consequences of a confrontation. In an ominous warning, "...the editorial reminded New Delhi that China had established close relations with Pakistan, Sri Lanka and Nepal and declared: 'China won't make any compromises in its border disputes with India.'" A Chinese official was later quoted in the South China Morning Post on August 7, 2009 stating that India was responsible for the escalating tensions by seeking, and then obtaining, the ADB funding with support from the U.S. and Japan. The official complained that "India has enough money to develop Arunachal Pradesh," he declared. 'But it wanted to test the Chinese'.

### The current trade situation and geopolitical posturing

China and India have long been "studying" the benefits of establishing a comprehensive trade arrangement, but remain without such an agreement. Despite the absence of an across-the-board agreement, trade between these two countries has grown exponentially. China has become India's number one trading partner. India now trades more with China than with Japan and the United States. India has also become China's tenth largest trading partner, and its trade with China is growing faster than China's trade with the nine nations ranked above her. Trade between China and India reached US\$2.5 billion in 2000, US\$5 billion in 2002, US\$13 billion in 2004, and US\$20 billion in 2006. Bilateral trade is expected to top US\$60 billion in 2010-11 ending March 31 according to latest official estimates.

**Table 1** below provides China-India bilateral trade data for the period 1980- 2008.

**Table 1: China-India Bilateral Exports (US\$ million).**

Year	China to India	India to China
1980	72	24

1985	88	29
1990	121	68
1995	811	354
2000	1,505	1,054
2005	7,733	6,717
2009	21,237	12,390

Source: IMF Direction of Trade Statistics (November 2009).

Many believe the Sino-India economic relationship is now so strong that it has surpassed any near-term, if not long-term need to solve the territorial dispute. However, two significant factors challenge this presumption: (1) a trade imbalance that favors China and (2) a general mistrust between the two countries resulting from their long-standing border dispute. Indian officials are voicing growing concern over its trade deficit with China. India's trade deficit with China reached nearly US\$16 billion in 2009, an imbalance politically unsustainable. As such, India has asked China to end restrictions on Indian exports of information technology and to open its markets to a more diverse array of Indian goods and companies.

Many analysts do believe China is intentionally not solving the border issue in an attempt to establish a regional strategic advantage over India. More specifically, they are concerned that China is using economic cooperation to distract India while Beijing goes about building relations with Pakistan and other nations sharing borders with India in a ploy to undermine India's national security. Brahma Chellaney, an Indian scholar for instance believes that,

"In the period since 1981, China has realized a tectonic shift in its favor by rapidly building up its economic and military power. While keeping India engaged in sterile border talks, China has strengthened its negotiating leverage through its illicit nuclear and missile transfers to Pakistan and strategic penetration of Myanmar. [...] Indeed, it sees a strategic benefit in keeping

hundreds of thousands of Indian troops pinned down along the Himalayas, thus ensuring that they will not be available against China's 'all-weather ally', Pakistan.”

Others such as Sawminathan Aiyar believe that China's aging population and subsequent declining labor force will soon lead to India surpassing China as the fastest-growing economy in the world. Aiyar also believes that India's growing work force will increase its literacy and that the gap between the poor and the rich Indian states will close. He further estimates that "India's GDP will grow 10 percent annually by 2020, while China's growth will contract a bit to 7-8 percent.” In response to India's rise, China will heighten border concerns. Based on the past 50 years of geo-political jousting between the two, China will likely see India's rise as a strategic threat, particularly to its common border interests. The fear being that India will use its increased regional stature to posture itself in a very advantageous way relative to China's border interests.

Expanding trade relations appears to have both economic and diplomatic merit. A study conducted at Ohio State University revealed that countries who establish preferential trade arrangements are 30 to 45 percent less likely to become involved in a military dispute with each other than countries absent such agreements. The economic benefits to expanding trade dramatically reduce the possibility of conflict between the two signatories in the interest of preserving economic benefits. “...Preferential Trade Arrangements (PTAs) reduced the number of conflicts among member countries by up to 45 percent. When members of PTAs did have military disputes, they were less likely to lead to war. Results showed that about 11 percent of the militarized disputes between non-PTA members escalated to war, while only 2 percent of the militarized disputes between PTA members escalated to such heights. In addition, the study showed that simply having a large trade flow with another country was not enough to reduce the chance of hostilities - there also had to be a formal PTA.” The study concluded, “[l]eaders who entered into PTAs are more likely to pull back from the brink in the event of a conflict because they don't want to jeopardize an important economic relationship. The economics and the

politics are meshed together." China does have a history of settling border disputes, particularly those that advance its economic agenda. Furthermore, since China and India now both have nuclear weapons (mutual deterrence), it seems highly unlikely that China would again undermine relations with India by launching a major military offensive into the disputed border region. Even if China did attack using only conventional weapons/forces and did not provoke a nuclear weapons response by India, besides having to combat Indian forces and offset lost trade with India, it would face international condemnation, a cost not likely worth bearing.

## **CONCLUTION**

Nearly a half century has passed since China attacked India over a territorial boundary dispute. Forty years of subsequent high-level talks have resolved nothing. The situation has India and China in a classic prisoner's dilemma. Both nations see counter-balancing measures as less than optimal, yet necessary for self-defense because of their mutual distrust of each other. A response to a perceived threat by one provokes a counter-balancing response by the other, further escalating fear and tensions - though both nations know that direct conflict of any type is not in either party's best interest.

Their inability to resolve the border dispute has not stopped these two rising powers from recognizing the enormous economic gains to be made by engaging in bilateral trade. Trade and trade dialogue is the one interchange that has kept the contentious border dispute on the negotiating table without becoming an all-consuming focal point of Sino- Indian relations.

In the short-run, regardless of the perceived Chinese intentions, expanding trade will likely dilute the significance of the border dispute. This is assuming that the current Sino-Indian

bilateral trade imbalance can be readily closed to an acceptable or manageable level. However, delaying resolution in the long-run may prove problematic. As both economies grow, they will increasingly compete with one another for energy, other natural resources, export markets, and for geopolitical reasons. Competition will erode cooperation, and again, bring to the forefront the border dispute. If both India and China are truly serious about going beyond the political rhetoric to bring the border dispute to a mutually acceptable resolution, the best window of opportunity is now. Otherwise, as both countries expand their overlapping economic/political sphere of regional influence, the border dispute will likely spillover and become regionally divisive, straining political relationships and economic cooperation - in and out of the region.

## REFERENCES:-

- Anil K. Gupta, "The future of India-China trade," *Economic Times*, January 14, 2008
- Brahma Chellaney, "Will India-China border Talks Ever End?" *Japan Times*, July 3, 2006
- Indo China Timeline," Rediff India Abroad <<http://www.rediff.com/news/ctime.htm>> (May 3, 2010).
- D S Rajan, "An Inside Account of Sino-Indian border," *Rediff India Abroad*, June 16, 2008
- Library of Congress Country Studies; "India"; <[http://lcweb2.loc.gov/cgi-bin/query/D?cstdy:3:/temp/~frd\\_11rx](http://lcweb2.loc.gov/cgi-bin/query/D?cstdy:3:/temp/~frd_11rx)> (November 15, 2010).
- Indo China Timeline".
- "India-China Economy - Trade Relations," *Economy Watch* <[http://www.economywatch.com/world\\_economy/china/indo-china-trade-relations.html](http://www.economywatch.com/world_economy/china/indo-china-trade-relations.html)>

(April 9, 2010).

- Indo China Timeline
- James Barnard Calvin, “The China-India Border War (1962),” Marine Corps Command and Staff College (April 1984), p. 15.
- Paul Smoker, “Sino-Indian Relations: A Study of Trade, Communication and Defence,” Journal of Peace Research 1, 2 (1964), p. 67.



GNITED MINDS  
Journals