Chapter 3

Sino-Indian Relations

—From Hostility to Mutual Cooperation and Complementation

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1. Political and diplomatic relations

1.1 The changes in bilateral political and diplomatic relations

India gained its independence from being a colony of Great Britain in 1947. The People's Republic of China was founded in 1949. The next year, in 1950, the Indian and Chinese governments established diplomatic relations, and India was the first country outside the socialist block to recognize the People's Republic of China. As a result, the two countries maintained a close, amicable relationship during the 1950s.

Among the emerging countries that gained independence from a colonial condition, India did not join either the US or Soviet camps, and together with China, developed the anti-imperialist, anti-colonialist Non-Aligned Movement. Chinese Premier Zhou Enlai visited India in 1954, and, in a joint declaration after speaking with Indian Prime Minister Nehru, announced the "Five Principles of Peaceful Coexistence,"[1] which he proclaimed should be used in the relations between states. At the Asian–African Conference (AA Conference or Bandung Conference), which was held in Bandung, Indonesia in 1955, the leaders of 29 emerging countries in both regions adopted the "Ten Principles of Bandung,"[2] which were based on the Five Principles of Peaceful Coexistence.

India and China built an amicable, cooperative relationship in the 1950s, and there were frequent visits by the leader of the other country. However, relations grew tense starting in 1959 as a result

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[1] The Five Principles of Peaceful Coexistence are mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence.

[2] The Ten Principles of Bandung are: 1) respect for the fundamental human rights and for the purposes and principles of the Charter of the United Nations; 2) respect for the sovereignty and territorial integrity of all nations; 3) recognition of the equality of all races and of the equality of all nations large and small; 4) Abstention from intervention or interference in the internal affairs of another country; 5) Respect for the right of each nation to defend itself singly or collectively, in conformance with the Charter of the United Nations; 6) Abstention from the use of arrangements of collective defense to serve the particular interests of any of the big powers, and abstention by any country from exerting pressures on other countries; 7) refraining from acts or threats of aggression or the use of force against the territorial integrity or political independence of any country; 8) settlement of all international disputes by peaceful means; 9) promotion of mutual interests and cooperation; and 10) respect for justice and international obligation.

of the Tibetan uprising and a dispute over the India–China border. The border dispute developed into an armed clash in 1962. Thereafter, the tense relationship continued for around 30 years.

The so-called Tibetan uprising broke out in 1959 against the backdrop of dissatisfaction of Chinese administration of Tibet and the political system unifying church and state. Thereafter, the 14th Dalai Lama, the highest leader of Tibetan Buddhism, went into exile in India. The Indian government accepted the exile of the Dalai Lama, provided the town of Dharamsala at the foot of the Himalayas in the north, and allowed the founding of the Tibetan government in exile. As a result, the deterioration of Sino–Indian relations began.

As the background to the border conflict, the Indian side asserted the border to be the McMahon Line, which was arranged between the British Raj and the Tibetan government in 1914. Neither the government of the Republic of China at the time, nor its successor, the People's Republic of China, recognized this line. In the 1950s, India's effective control extended to regions beyond the traditional boundary, but there was bloodshed at the border in 1959, and despite two years of bilateral negotiations, armed conflict broke out in 1962 ending in overwhelming Chinese victory. However, the Chinese army withdrew to the region of pre-conflict effective control.

In the 1970s, Sino–Indian relations reached a turning point. In 1976, diplomatic relations between the two countries were restored to the ambassadorial level for the first time in 14 years, and bilateral commerce was restarted in 1978. In the 1980s, China implemented its economic reform, announced a policy of building good-neighborly relations with the surrounding countries, and moved gradually towards normalization of Sino–Indian relations. Prime Minister Rajiv Gandhi visited China in December 1988, restarting summit diplomacy. Through visits, both sides agreed on peace and stability along the Line of Actual Control (LAC) with regards to the border problem, which is an obstacle to the bilateral relationship.

In the 1990s, the bilateral relationship moved towards further improvement, and mutual summit visits became frequent. Premier Li Peng visited India in 1991, and Prime Minister Narasimha Rao visited China in 1992. In 1996, President Jiang Zemin became the first Chinese head of state to visit India. Through this series of visits by both sides, agreements were signed relating to fostering trust and to peace and stability along the border (the LAC).

Since the year 2000, the 50 year anniversary of the establishment of diplomatic relations between India and China, both countries have confirmed the normalization of relations, reflecting changes in domestic and international affairs, and have promoted practical diplomacy through trade and investment, temporarily setting aside the conflict. Thereafter, summit-level diplomacy has become more active, and relations have been steadily improving. In the year 2000, Indian President Narayanan became the first Indian head of state in 50 years to visit China. Since then, the diplomatic activities of both countries have grown more active, such as with Premier Zhu Rongji's visit to India in 2002, Prime Minister Vajpayee's visit to China in 2003, Premier Wen Jiabao's visit to India in 2005, President Hu Jintao's visit to India in 2006, Prime Minister Singh's visit to China in 2008, and President Patil's visit to China in 2010. At international conferences as well, Indian and Chinese leaders frequently hold discussions. The two countries had hosted four strategic dialogues relating to diplomatic and international issues by 2010. In 2011, a strategic economic dialogue between the countries began.

1.2 Sino–Indian cooperation in multilateral relations

At the same time as the development of the bilateral relationship, India and China have come to cooperate in various global multilateral frameworks. Forums for cooperation extend across a variety of fields, such as the UN, the G20, the BRICS, the war against terror, the response to global warming, and Asian economic integration.

Indian Prime Minister Singh visited China in January 2008, and issued a joint declaration with China called a "Shared Vision for the 21st Century." This declaration announced at home and abroad a stance of cooperation by both India and China towards resolution of global and regional problems, such as building a more diverse international system, reforming the UN and supporting permanent membership by India in the Security Council, promoting regional economic integration, establishing an international energy order, and countering Islamic extremism and terrorism.[3] Thereafter, both countries deepened their cooperative relationship in responding to international problems in the contexts of the G20, climate change, the BRICS, and the like as representatives of the emerging and developing countries.

A global financial crisis arose through the Lehman Shock in September 2008. To respond to this financial crisis, the traditional G8 (Group of Eight advanced countries) consultative institution expanded to the G20, in which emerging countries also participate. In the G20, China and India played an important role in developing crisis countermeasures and a new post-crisis global economic order as representatives of the emerging countries. China and India swiftly recovered from the damage of the financial crisis, and due to returning to a high level of growth, greatly contributed to the recovery of the global economy.

Another field of Sino–Indian cooperation is that of global warming countermeasures. In order to build a post-Kyoto Protocol (after 2012) framework, the two countries played a central role as representatives of the developing countries at the 15th Conference of the Parties (COP15) to the United Nations Framework Convention on Climate Change held in Copenhagen in December 2009, pressing the advanced countries to fulfill their commitments and protecting/supporting the development of the developing countries.

India and China are also holding hands in other various multilateral frameworks that they lead or

[3] "A Shared Vision for the 21st Century of the Republic of India and the People's Republic of China," Chinese Ministry of Foreign Affairs.

participate in. For example, India participates as an observer in the Shanghai Cooperation Organisation (SCO), which is led by China and Russia and has the four Central Asian countries as members.

1.3 Pending issues between the two countries

As a result of the efforts of both sides for the past 20 years, the Sino–Indian relationship has greatly improved, a "strategic partnership" relationship was formed, and cooperation with respect to international problems began. However, there are a variety of pending issues between the two countries that are not easily resolved. Due to the existence of these issues, it is not only difficult for mutual trust to develop between the countries, but the cooperative relationship is damaged, and there is even the possibility that the opposition could intensify.

The greatest issue is the undemarcated international border. The border conflict goes back to the era when India was a British colony. Amidst the turmoil following the Chinese revolution, representatives of the British Empire met with the Tibetan government at the Simla Conference in 1914, and a secret agreement was reached setting the border at the so-called McMahon Line. Successive Chinese governments have not recognized this result, which led to an area of roughly 90,000 km^2 of the eastern border between India and China being contested. From the 1950s onwards, the Indian army crossed the traditional borderline into regions under Chinese control, driving out Chinese officials and occupying the land. An armed clash occurred in 1959, and two years of negotiations bore no fruit, leading to the border war in 1962. After the war, the Chinese army withdrew, and this region was effectively controlled by India. In 1987, India founded the state of Arunachal Pradesh in this region and strengthened de facto control, but China does not recognize this, referring to the area as the Zangnan region.

The 1700 kilometer Sino–Indian borderline is divided into an eastern, central, and western section, and there are territorial disputes at each section. India essentially has effective control over a 90,000 km^2 contested region in the east and a 2100 km^2 region in the center, but in the west, China has effective control over a majority of the Aksai Chin region, with an area of 33,000 km^2 in the northern part of Kashmir.

Since the 1980s, tensions in the border region relaxed along with easing tensions and improved relations between the two countries. The two countries share an understanding to maintain peace and stability along the Line of Actual Control (LAC), and to aim for a just, reasonable, mutually acceptable resolution to the border problem without allowing it to be an obstacle to stronger relations. In 2003, India recognized the Tibet Autonomous Region to be China's territory, and in 2005, China recognized the state of Sikkim (the former Kingdom of Sikkim, which merged with India in 1975) to be India's territory. Starting in 2003, a mechanism was established of a meeting of special representatives on the India–China boundary question, and a total of 14 rounds of negotiations have been held thus far. Nevertheless, the stage of demarcating the border has not yet been reached. The border problem is the largest obstacle to Sino–Indian relations, and there is a significant risk of bilateral relations becoming tense once again.

Another problem is the Tibetan government in exile. As mentioned above, after the failure of the Tibetan uprising in 1959, the 14th Dalai Lama went into exile in India, leading roughly 100,000 followers. The Indian government accepted them, and allowed the establishment of the government in exile in Dharamsala. Even after recognizing the Tibet Autonomous Region to be China's territory in 2003, India has been continuing to support the government in exile. In 2008, riots broke out in Tibet once again, and the Chinese government made the strong accusations that these were planned by the government in exile. In China, there is mounting displeasure over India's support of the Tibetan government in exile due to its terrorist activities.

2. The developing economic relationship

2.1 Differing complementary advantages

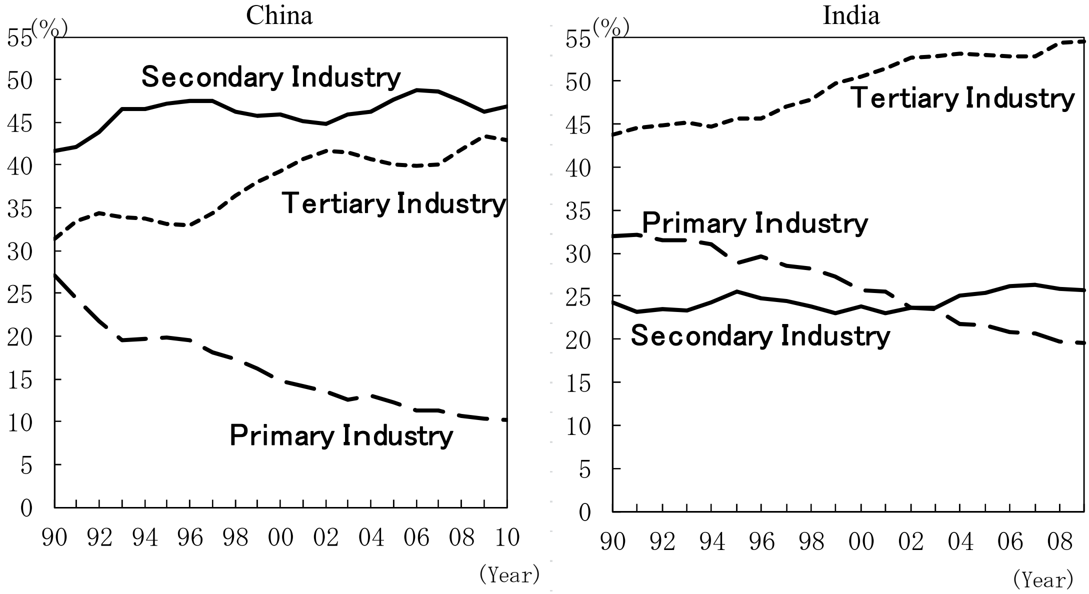
One factor behind the rapid expansion of economic relations between India and China is the differing and complementary advantages and competitive strengths between the two countries resulting from different economic and industrial structures as well as differing stages of development.

First, both countries have followed different paths in their strategies for economic development. China has implemented its policy of economic reform for the past 30 years, and has achieved a high level of economic growth. Reforms oriented towards a market economy proceeded in each field, and a market economy in which government intervention remained was established in the form of a market economy system unique to China. At the same time, China participated in the industrial international division of labor and furthered economic globalization through promoting exports and introducing foreign capital. In the development of industry, China has been fostering labor-intensive export industries for creating jobs and promoting exports, aiming to develop the consumer goods industry by the introduction of technology, then nurturing the capital goods industry and intermediate goods industry such as upstream materials and plant, promoting heavy chemical industrialization, and strengthening the competitiveness of each industry through exports. With regards to corporations, there was privatization of traditionally state-owned companies, encouragement of private enterprises, and effort put into luring foreign-capitalized corporations. This growth strategy led to 30 years of high growth, but also to the problems of the reliance of growth on investment and on external demand (exports). In recent years, the development strategy for the Chinese economy is shifting to expanding domestic demand, particularly expanding consumption.

Meanwhile, India started its economic reforms centered on liberalization in 1991, and achieved economic growth. Reforming the traditional prioritization of the state-owned economy and the controlled economy, drastic regulatory easing was implemented. Regulations on the entry of private companies were abolished, and nearly all fields were opened to private firms. At the same time, with regard to state-owned corporations, there was an expansion in administrative autonomy and a dishoarding of stock shares, and the corporations were made to participate in market economy competition. In terms of external economics, the Rupee was devalued, current accounts were liberalized, import tariffs were lowered, stepwise easing of regulation on the entry of foreign capital was conducted, and nearly all restrictions on foreign capitalization ratios were eliminated. Among industries, the service industry, which achieved a high level of growth, drove the Indian economy, and played the role of pulling with it the manufacturing industry. The IT services industry in particular took advantage of abundant scientific human resources and English language proficiency to establish a business process outsourcing (BPO) business model, and developed into an industry that is the most competitive in the world. However, the manufacturing industry is weaker than that of China.

Second, the economic structures of both countries have different characteristics. In general, the GDP share of the primary sector shrinks and that of the secondary sector expands alongside economic growth, and when growth reaches a mature stage, the secondary sector contracts and the tertiary sector expands. However, both India and China have exhibited unique developments. The share of the primary sector (agriculture and mining) has dropped significantly in both countries. In China, the secondary sector (mainly manufacturing) commands a large share, trending at around 50%. The share held by the tertiary sector is rising rapidly, but is not anything like that of the secondary sector. Meanwhile, in India, the share of the secondary sector is trending at around 25% in contrast to the rapid rise in the share of the tertiary sector (figure 3.1). In other words, China's economic growth is being driven by the secondary sector, particularly manufacturing, and India's is being led by the tertiary sector, particularly services. The notion of "manufacturing in China, services in India" represents the differences in industrial structure between the two countries.

Figure 3.1: The GDP Share of the Tertiary Sector



Note: Share of GDP are calculated using current prices. China's accounting is calendar year, and India's is fiscal year (April through the following March)

Source: Created by the author based on the China Statistical Yearbook, Key Indicators for Asia and the Pacific 2010 (ADB), JETRO statistics, and the like.

Third, external economic linkage, or in other words the level of external dependence, is different. China is actively involved in the international division of labor and exports have become an important industry driving economic growth, while at the same time corporations have brushed up their competitiveness in the international market through exports. Simultaneously, the role of foreign capital in the Chinese economy is also expanding through actively drawing it in. Meanwhile, India has an open door to the world, but has little external economic linkage. The manufacturing market is mainly concentrated domestically, but exports are relatively low. The presence of foreign capital is also small. The difference in external economic linkage can be seen in the level of export dependence. China's export dependence rose from 16% in 1990 to 36.9% in 2006, and even after decreasing after the financial crisis, was still 25.6% in 2010. India's export dependence increased from 6.3% in 1990 to 16% in 2010, but there is a still a large gap with respect to China.

Fourth, the difference in stage of development can be raised. In 1990s, both India and China stood at essentially the same starting line in terms of GDP per capita, but China was slightly behind India. After that, China's high level of growth created a widening gap, which grew threefold in recent years.

Fifth, the industries that are strongly competitive are different. India's strengths are IT services, software, pharmaceuticals, and resources such as iron ore. China's dominance is in industrial productive ability and low cost, as well as infrastructure-building abilities. India's strengths are needed by China, and India can make use of China's advantages as well.

2.2 The development of bilateral trade

According to Chinese trade statistics, China's trade with India reached $61.8 billion in 2010, of which $40.9 was exports and $20.9 was imports (table 3.1). Meanwhile, looking at Indian trade statistics, trade with China totaled $54.1 billion in fiscal year 2010, of which $17.2 billion was exports and $36.8 was imports. The average annual growth rate in bilateral trade from 2000-2010 exceeded 30% on both sides. To India, trade with China is roughly 10% of overall external trade, making China the largest trade partner, ranking third in terms of exports and first in terms of imports. By contrast, India's share of Chinese trade is expanding, but is still around the 2% level and is low in terms of ranking as well. In other words, to India, China is the most important trade partner, but to China, India is no more than a trading partner with the potential to expand in the future.

Table 3.1: The State of Sino–Indian Bilateral Trade

	Value ($100 millions)			Share (%)			Rank	Growth Rate (%)
	2000	2005	2010	2000	2005	2010	2010	2000-2010
China's trade with India (China's Statistics)								
Imports/ Exports	29.2	187.2	617.9	0.6	1.3	2.1	10 位	36.6
Exports	15.7	89.4	409.2	0.6	1.2	2.6	８位	38.2
Imports	13.5	97.8	208.7	0.6	1.5	1.5	13 位	34.1
Balance	2.2	-8.4	200.5					
India's trade with China (India's Statistics)								
Imports/ Exports	22.1	164.0	541.0	2.4	6.9	10.0	１位	36.6
Exports	7.6	64.7	172.4	1.8	6.6	7.9	３位	37.7
Imports	14.5	99.3	368.6	2.9	7.1	11.4	１位	36.1
Balance	-6.9	-34.5	-196.3					

Note: China's accounting is calendar year, while India's is fiscal year.

Source: Created by the author based on the China Statistical Yearbook, JETRO statistics (originally from India's DGCI&S), and the like.

Amidst the expansion in Sino–Indian trade, China continues to have a large surplus while India is running a significant deficit. India's trade deficit with China in fiscal year 2010 rose to $19.6

billion, making up about 20% of the overall trade deficit. This deficit relates to the trade structure, and by extension the industrial structure and economic structure, of both countries. This can be investigated from the composition of trade by item.

According to China's trade statistics, the largest export product to India was machinery/electrical products, making up 47.5% of overall exports. This is followed by chemical products (18.1%), as well as metals and metal products (10.6%). The proportion of industrial products (HS sections 6-20) in overall exports is high at 97.8%, while the proportion of agricultural- and resource-related products (HS sections 1-5) is only 2.1%. By contrast, mineral products have the greatest share of imports from India (not limited to Indian exports to China), at 60.1% of overall imports, followed by textile products (11.3%) as well as metals and metal products (6.6%). Although manufactured products only make up 36.1% of Chinese Imports from India, the proportion of agricultural- and resource-related products is high at 63.6%.

2.3 The expansion in bilateral investment

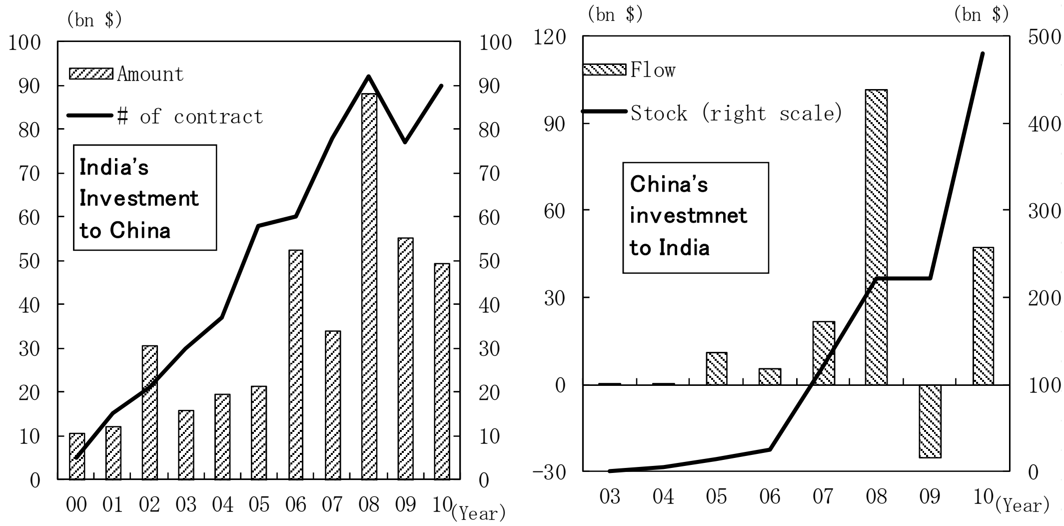
Direct investment between both countries is also commencing alongside the expansion in mutual trade.

According to the statistics for foreign capital inflow released by China's Ministry of Commerce, Indian investment in China has expanded since 2006, reaching $90 million (amount implemented) in 2008, although it decreased somewhat after the financial crisis. The cumulative total of investment (amount implemented) is roughly $400 million. The number of investment projects has been trending at around 90 per year in recent years (figure 3.2, left side). The investment per project has been relatively small-scale at around $700,000. Also, India's share of China's overall intake of foreign capital is only 0.1%.

Meanwhile, according to the external investment statistics by China's Ministry of Commerce, investment (net flow) in India by China in 2008 exceeded $100 million. After the financial crisis, there was a $24.88 million decrease in 2009 (withdrawals exceeded new investments, thus the value of investment was negative), but was $47.61 million in 2010 (figure 3.2, right side). Investment as a stock (balance) at the end of 2010 was $480 million, while the share of external investment overall was a mere 0.15%. However, according to the explanation of a Commerce Counsellor at the Chinese Embassy in India, the publically released investment amount only tallied the investment projects approved by the Ministry of Commerce, and if investment by private SMEs is included, the actual value would more than double.[4]

[4] "与我国駐印度経商参処彭剛参賛網上交流"
(http://gzly.mofcom.gov.cn/website/face/www_face_history.jsp?sche_no=1397)

Figure 3.2: Direct Investment between India and China



Note: On the left side, India's investment in China is the amount of foreign capital received by China as the amount of capital actually implemented and the number of contracted projects. On the right side, China's investment in India is shown as a flow (net) and a stock (balance).

Source: Created by the author based on the investment statistics of China's Ministry of Commerce.

The famous, major companies of both India and China are all investing in the other country. Chinese companies that are investing and expanding business in India include Huawei Technologies and ZTE, which are communications equipment manufacturers, Sany Heavy Industry and LiuGong Machinery, which are in construction machinery, and Haier, a household electronics company. Meanwhile, Indian corporations that are known to be active in China are the Tata Group and the Reliance group, which are conglomerates, and Infosys and Wipro, which are in software services.

Another important field in Sino–Indian economic relations is the construction sector, including infrastructure building. In recent years, there has been an increase in orders for infrastructure building and factory installation by Chinese companies in India. According to the statistics of the Chinese Ministry of Commerce, the value of new orders for Chinese companies in India in 2008 was \$12.9 billion, and sales (the amount for plant delivery and construction completion) reached \$4.21 billion. Although new orders plummeted in 2009 due to the financial crisis, sales rose by 37.7% to \$5.79 billion, and in 2010, new orders returned to growth. India makes up nearly 10% of China's overall overseas construction subcontracting, and from 2006-2009 India was China's largest market in this field.

3. The Future Outlook for Sino–Indian Economic Relations

3.1 The potential for stronger economic relations

In strengthening the Sino–Indian bilateral economic relationship, it will be possible to greatly develop business in the following areas:

First, China can become actively involved in India's infrastructure building. In India, the infrastructure is lagging behind in areas such as power, roads, rail, ports, and communications, capacity is lacking, and these are factors that are hindering economic growth. On the other hand, China has been actively promoting domestic infrastructure for the past 30 years, and has been greatly successful, gaining abilities for construction and installation. In the field of infrastructure building, India's advantage is an enormous market, and China's advantage is having the technology and low cost that meets India's demand. Also, after a Chinese company accepts an order, there is the benefit that the construction time could be reduced by the company bringing a large number of technicians and trained workers from China, but this led to restriction measures being imposed by the Indian government. Actually, Chinese companies have been active in the Indian market for power plant construction, road construction, communications infrastructure building, and systems construction, winning a certain market share. This likely could expand in the future.

Second is the field of IT services and software. Indian corporations have the advantage of having human resources and a low cost in the field of IT services and software development, and grew rapidly by accepting BPO by Western companies. China is a market for this field. Currently, Indian firms are providing services to Chinese subsidiaries of Western companies, but a future task is to expand the customer base from foreign-capitalized companies to Chinese corporations. Also, Chinese enterprises can take advantage of India's abundant software-related human resources, and greatly expand in the future by conducting research and development in India.

Third is the steel industry. China is the world's largest steel producing country, but domestic demand is large, and about 40% of the necessary iron ore is dependent on imports. China's advantage is an enormous productive capacity and technology that is superior to that in India. On the other hand, although domestic demand for steel in India is quickly increasing due to the high level of economic growth, there is a lack of domestic productive capacity, the level of technology is low, and in many cases, there is a dependence on imports of steel materials. Also, India is one of the leading countries in the world for iron ore resources, with abundant high grade reserves and significant exports. In the area of steel, India's advantage is in its market and resources. Up to now, China has imported large quantities of iron ire from India at the spot price. The fraction of China's overall iron ore imports that were from India was 25% in 2005. In recent years, the Indian government has begun levying a high export tariff on iron ore, and there are even states that prohibit exports. As a result, the proportion of imports from India decreased from around 20% in 2010 to

14.9% in the first half of 2011.[5] Also, many of China's steel companies are planning to acquire steel firms and to build new iron works in India, but there are no examples of successes yet. In the future, there can be high hopes for cases of Chinese corporations shifting from importing Indian-produced iron ore to local production and sales to both China and India, and cooperating towards expanding the production and raising the technology of India's steel industry.

Fourth is the pharmaceuticals industry. India's pharmaceuticals industry and biotechnology industry have the advantage in terms of scale, technology, and cost, and are more advanced than those in China. On the other hand, India's domestic market is large, but China's market scale is even larger. In this field, corporations from both countries can likely expand their cooperation.

3.2 Factors obstructing the further development of economic relations

The greatest problems are the two of protectionist policies and trade friction arising from trade imbalances, and India's vigilance and restrictive measures towards Chinese companies. As a problem of mutual trade, as mentioned earlier, the trade imbalance in the form of the Chinese surplus and the Indian deficit has caused industrial protectionism and trade friction. The trade friction is plainly represented by the anti-dumping measures that are frequently applied by India to products imported from China. According to statistics released by the WTO[6], there were a total of 131 cases of anti-dumping investigations of products imported from China initiated by India from 1995-2009, and sanctions were imposed in 98 cases. This made up 17.2% of all the anti-dumping investigations initiated against China in every country around the world during the same period, as well as 18.2% of the number of cases where measures were imposed. However, India's share of China's exports was only 2.6%, even in 2010 when it was the highest. Meanwhile, the number of investigations initiated against China made up 22% of all the cases initiated by India targeting an imported product, and the number of cases implemented made up 23.4%. However, the fraction of imports from China among all of India's imports was 11.4% even in the peak year of 2010.

In order to develop bilateral trade, India needs to reform its misuse of anti-dumping measures and excessive protectionism of domestic industries, its predation of Chinese products, and the like. Meanwhile, in order to ameliorate the trade imbalance, China likely should expand imports from India, in certain cases increasing sourcing of parts from India, and should cooperate in upgrading India's manufacturing industry.

Also, there are a variety of problems on the business front. The greatest problem is India's vigilance and restrictive measures against China. In India, there were many restrictions on foreign capital to begin with, and even with major regulatory easing, foreign-capitalized companies are still restricted in areas such as permitting and land acquisition. There are even cases where Chinese

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5 "正在放棄中国的印度鉄鉱石,"網易財経 (http://money.163.com/11/0913/15/7DRDT93300254O2B.html)

6 WTO, Committee reviews reports on anti-dumping actions, 2010

companies are incurring more restrictions and discriminatory treatment than those from other countries. For example, in 2010, the Indian government announced an import ban on Chinese communications equipment. Chinese telecom giants Huawei Technologies and ZTE had been supporting the development of India's communications industry by providing low-cost, high-performance mobile communications base station facilities. Nonetheless, when Huawei applied for permission to invest in building a new production plant and an R&D center expansion, this was rejected on the grounds of "security issues." ZTE also had a similar experience.

There are many cases that technicians and skilled workers are brought from China when a Chinese company engages in a successfully bid construction project in India. In response, the Indian government introduced measures in 2009 to make the conditions for granting visas to such technicians more difficult. As a result, 20,000 Chinese employees were forced back to their country, and the related construction projects were greatly delayed. The stronger regulation of the granting of visas increased the difficulty of staying in India for construction-related technicians and skilled workers, as well as for Chinese businesspeople who work in trade and corporate administration. When the author visited a local corporation belonging to Chinese household electronics heavyweight Haier in the outskirts of Delhi, all members of the management team encountered were Indian, and there was not a single Chinese representative. Although there has been a localization of administration, this was also due to not being able to acquire visas for employees dispatched from China to stay in India.

Based on this situation, it is necessary to build a convenient, just, fair business environment in order to expand the economic relationship of the two countries.

The development of the Sino–Indian economic relationship affects Japanese businesses as well as Japanese corporations in China and India. First, it is possible for the Indian businesses of Japanese firms to take advantage of Chinese operations. For example, in order to compensate for the weakness of India's supporting industries, parts produced by local Chinese corporations can be used in local manufacturing in India. Second, it is possible to take advantage of the experience of access to developing markets developed in Chinese business as well as product development compatible with the volume zone in the Indian market. Volume zone-compatible products can be jointly developed by Indian and Chinese subsidiaries. Third, it is possible to engage in personnel exchanges between subsidiaries in India and subsidiaries in China. Taking advantage of India's IT human resources, technicians working in R&D at a subsidiary in India could be dispatched to a Chinese subsidiary, and when producing a product in India that a Chinese subsidiary also produces, Chinese management, technicians and skilled workers could be dispatched to an Indian subsidiary to guide the local production.

Fourth, if the FTA that India and China are promoting enters into effect, Japanese corporations could further increase administrative efficiency by integrating production, sales, and R&D by subsidiaries in India and China.

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