

PRESIDENT XI IN INDIA

An Alliance of the Two Asian Giants Will Benefit Mankind

by Ramtanu Maitra

Sept. 22—Chinese President Xi Jinping’s Sept. 17-19 visit to India, and his close interactions with Prime Minister Narendra Modi, have advanced the important bilateral relations between the two giant nations, and has positive implications for the global development thrust being carried out by the BRICS (Brazil, Russia, India, China, South Africa) as a whole. Today, in Beijing, Chinese Foreign Ministry spokesman Hua Chunying said that cooperation will remain the main theme of Sino-Indian relations. He pointed to President Xi’s observation that harmony between the Chinese dragon and the Indian elephant will bring benefits to the whole world.

The broadening of cooperation in economic, regional, and global affairs between the two, also brought to the fore the necessity of resolving their longstanding border dispute. The good news is that both leaders are keen to resolve it. Hua stressed that the two leaders have reached a consensus on resolving the border issue through friendly mechanisms and effective communication.

Prior to his arrival in India, President Xi had penned an article for the Indian news daily *The Hindu*, “Towards an Asian Century of Prosperity,” (Sept. 17), in which he set the tone for what relations should be to make the 21st Century an “Asian century of prosperity and renewal.” He wrote: “As two important forces in a world that moves towards multi-polarity, we need to become global partners having strategic coordination. According to Prime Minister Modi, China and India are ‘two bodies, one spirit.’ I appreciate this comment.

“Despite their distinctive features, the ‘Chinese Dragon’ and the ‘Indian Elephant’ both cherish peace, equity, and justice. We need to work together to carry forward the Five Principles of Peaceful Coexistence (the Panch-sheel), make the international order more fair and reasonable, and improve the mechanism and rules of international governance, so as to make them



Press Information Bureau of India

Prime Minister Modi said China and India are “two bodies, one spirit.” President Xi added, “Despite their distinctive features, the ‘Chinese Dragon’ and the ‘Indian Elephant’ both cherish peace, equity and justice.” Here, in Ahmedabad Sept. 17, Modi presents a bouquet of flowers to First Lady Peng Liyuan as Xi looks on.

better respond to the trend of the times and meet the common needs of the international community.”

The Importance of China-India Relations

“As Deng Xiaoping put it, no genuine Asian century would come without the development of China, India, and other developing countries. We are ready to shoulder this mission of our times and work actively to enhance friendship between China and India. I look forward to an in-depth exchange of views with Indian leaders on our bilateral relations during the visit, and to injecting new vitality to our strategic and cooperative partnership for peace and prosperity,” he added.

That was perhaps the most important element in Xi’s visit to India.

Both Prime Minister Modi and President Xi were keen to broaden bilateral economic relations. Trade between India and China amounts to \$65 billion—a small amount compared to the China-Japan trade, which is now well over \$320 billion annually. Even this small trade between the two is replete with problems. India runs close to a \$35 billion annual trade deficit; the Chinese investment in India has remained a paltry \$500 million; and India’s investment into China is similarly low.

With the intent to rectify some of these problems,

and also to help Modi’s quest for India’s infrastructure modernization, President Xi came prepared to sign a number of agreements. Among them was the setting up of two industrial parks—one each in the states of Maharashtra and Gujarat—which would add up to close to \$7 billion. The other major investment by China agreed upon was enhancing the speed of India’s railroad in the Mysore City-Chennai via Bengaluru sector. The total amount of the investments agreed upon was about \$20 billion over five years. In addition, to reduce the trade deficit between them, Xi promised to open up China’s market for India’s pharmaceutical and information technology-related products.

Two other issues of import for enhanced cooperation between the two nations were apparently discussed, but nothing concrete has emerged. One is nuclear power generation, and the other an agreement on the Bangladesh-China-India-Myanmar (BCIM) economic corridor. On nuclear cooperation, reports indicate that China and India have agreed to open talks on a sector that New Delhi sees as the solution to its chronic power problems. The announcement, made at the Xi-Modi meeting in New Delhi, came a few days after India had struck a deal to buy uranium from Australia to increase its fuel supplies.

After the initial reports, not much was heard about the BCIM during the three days that Xi was in India. However, the BCIM is still alive. On Sept. 20, at Dhaka, Bangladesh, the Chargé d’Affaires of the Chinese Embassy, Qu Guangzhou, at a conference organized by the Centre for East Asia Foundation of Bangladesh, sought “all-out efforts” of the four countries to make it happen, given the significance of the corridor. He said the forthcoming second joint working group meeting in Cox’s Bazar, Bangladesh, would work for a consensus on the agreement.

Interestingly, Japan’s ambassador to Bangladesh, Shiro Sadoshima, attended the conference. Premier

Shinzo Abe was in Dhaka this month, and on Sept. 6, he had identified Bangladesh as key to Japan's Bay of Bengal Investment Growth Belt (BIG-B) initiative. Specifically, he said, the keys to the BIG-B are concept the improvement of transportation and infrastructure; a stable supply of power and energy; urban development, including special economic zone improvement; and also public sector development, including improved market access to the financial markets.

New Maritime Trade Routes

What was expected, but left out of any agreement signed during President Xi's stay in India, was the Maritime Silk Road, a subject of great interest to him. In his article for *The Hindu*, Xi made reference to both the BCIM and Maritime Silk Road. He wrote: "As the two engines of the Asian economy, we need to become cooperation partners spearheading growth. I believe that the combination of China's energy plus India's wisdom will release massive potential. We need to jointly develop the BCIM Economic Corridor, discuss the initiatives of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, and lead the sustainable growth of the Asian economy."

Meanwhile, media reports indicate that the Prime Minister Modi will soon launch a new initiative known as Project Mausam (*mausam* is Hindi for season), which will be a maritime trade initiative evoking the historic role of ancient India's trade in the Indian Ocean. Titled "Project Mausam: Maritime Routes and Cultural Landscapes across the Indian Ocean," the project focuses on the natural wind phenomenon, especially monsoon winds used by Indian sailors in ancient times for maritime trade, that has shaped interactions among countries and communities connected by the Indian Ocean. Project Mausam aims to explore the multifaceted Indian Ocean "world"—extending from East Africa, the Arabian Peninsula, the Indian Subcontinent, and Sri Lanka, to the Southeast Asian archipelago. This project will add to the Maritime Silk Road initiative undertaken by Beijing.

Notwithstanding its shortcomings, Xi's visit is laden with prospects. Xinhua news quoted Chinese Foreign Minister Wang Yi saying, during a briefing to the Chinese media on Xi's just-concluded visit to India, Sri Lanka, the Maldives, and Tajikistan, "President Xi's visit has propelled the development of China-India ties into a new historic phase." He quoted Modi telling Xi that the two sides should constantly push forward their

relationship "From Inch (India-China) to Mile (Millennium of Exceptional Energy)." The two heads of state agreed to build a closer developmental partnership, deepen cooperation within bilateral, regional and global frameworks. They also agreed to defend the common interests of the two countries and of other developing countries, while enhancing the just and sound development of international politics and economic order, Wang said.

Natural Partners

An editorial in the state-run *China Daily* on Xi's visit termed India and China natural partners. "The bonhomie the leaders have displayed is an inspiring sign that the shadow of the past will not be a hurdle in the way of better bilateral ties," the editorial said. "The complementary economic structures of the two giant neighbors have inspired many in China to dub the two as 'natural partners for cooperation,'" it said, adding "if China-India relations are not yet what Modi once portrayed as 'two bodies, but one spirit,' they are clearly closer to what they should be."

What also became evident during Xi's visit, is China's growing understanding that the new Indian leader is eager to develop India's infrastructure in order to launch the country on the path to a broad-based agro-industrial development. Modi recently concluded a successful visit to Japan. His strong engagement with Prime Minister Abe is expected to propel the Chinese to further expand economic ties with India. The emergence of such an Asian axis could impact U.S. influence on molding the balance of power within Asia, said one economy watcher in India.

China now sees Indo-Japanese industrial collaboration as more "strategic." Modi's new friendship with Abe has led to some eye-catching deals this month: the assurance of \$35 billion in Japanese foreign direct investment into India over the next five years, more Japanese soft loans, and collaboration in defense and rare earth exploration. Japan will also play a strong role in the development of industrial corridors, and may nudge its automakers and electronics companies to expand their Indian operations, according to the *Hindu Business Line*, Sept. 14.

On the day that President Xi arrived in India, Indian President Pranab Mukherjee, returning from Vietnam after concluding an agreement with Hanoi to explore two oil wells in Vietnam's waters, made it clear that India's oil exploration activities in the South China Sea

since 1988 are only commercial actions, and no political conclusions should be drawn from them. He also stressed that India's foreign policy never looked at any country "through the prism" of any third country, in an effort to drive home the point that there's absolutely no relation between his visit to Vietnam and the Chinese President's trip to India.

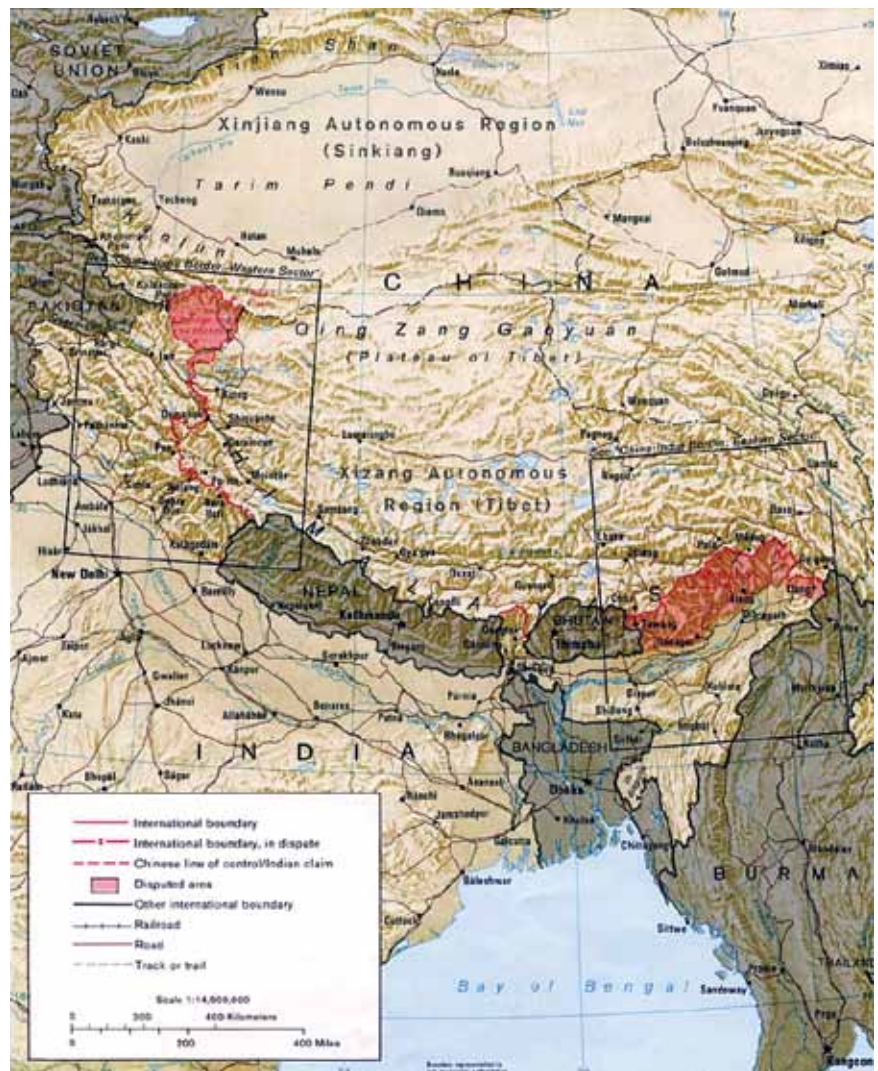
"One thing has to be kept in mind. OVL [ONGC Videsh Ltd—the state-run Indian oil exploration company] is exploring in the South China Sea since 1988. This is just a commercial action.... We have not made any comment about the contentious issue about sovereignty of the South China Sea because the disputes there are between various maritime countries sharing territory in the South China Sea," Mukherjee said.

During Mukherjee's Vietnam visit, India extended a \$100 million export credit to Vietnam for defense deals and tightened energy ties. The two countries said in a joint statement that the credit line would open new opportunities for defense cooperation, and that details of what Vietnam would buy were being finalized.

The 100-Ton Gorilla Must Be Removed

During President Xi's visit to India, reports emerged that some Chinese PLA (People's Liberation Army) personnel had moved into the non-demarcated border area that India considers its territory, but the incident did not elicit strong words from either side. As the Chinese military personnel retreated, Prime Minister Modi, with President Xi at his side, stated: "I have expressed concern over the incidents along the border between the two nations. We must resolve the boundary issue at the earlier. Clarifications on LAC [Line of Actual Control] can be a big step to peace across Sino-Indian borders. I have discussed India's concerns relating to China's visa policy and trans-border rivers. Early resolution would enhance mutual trust."

FIGURE 1
India-China Boundary Dispute Region



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Xi said that since the border was yet to be demarcated, sometimes there were "certain incidents," although both sides had been able to manage these situations. He added that China was keen to "settle the boundary question at an early date," and would maintain peace until that happened.

Delivering a speech at the Indian Council of World Affairs in New Delhi during his stay, Xi noted that China-India relations have gone well beyond the bilateral scope and have assumed broad regional and global significance as the two countries have become major forces in the world. The two Asian neighbors, he proposed, should become global partners for strategic coordination and jointly strive for a just and equitable in-

ternational order. “China and India have a combined population of over 2.5 billion,” he said. “If we speak with one voice, the whole world will listen, and if we join hands, the whole world will pay attention.”

There is no doubt that what President Xi is indeed the case. However, for the two sides to work in tandem to bring this about, the Sino-Indian border dispute must be resolved amicably once and for all.

M.D. Nalapat, who heads the department of geopolitics at India’s Manipal University, said that India’s new government sees that working with China was 90% upside, and should not be undermined by their differences. “Modi is looking at an opportunity, and will not sacrifice it because of the 10 percent threat,” Nalapat said in an article written for the Gateway House think-tank.

One of the reasons that Russia-China relations, economic and strategic, have developed significantly in recent years, is because of the landmark deal that was signed on July 21, 2008, officially ending all outstanding territorial disputes between the two countries. Under the agreement, Russia handed over Yinlong Island (known as Tarabarov in Russia) and half of Heixiazhi Island (Bolshoi Ussuriysky) at the confluence of the Amur and Ussuri rivers, clearing the way for closer

relations with China. The deal flowed from an initial agreement signed in 2004 by Russian President Vladimir Putin that proposed a 50-50 division of the disputed islands. While Russia returned Yinlong and half of Heixiazhi, totaling 174 square kilometers, China gave up its claim to the other half of Heixiazhi.

The Sino-India border dispute covers a much larger area, but non-resolution of the dispute will curb both countries’ efforts to play an important role globally. This is of particular import now, since both China and India are major players in the BRICS, and India will soon become a full member in the Shanghai Cooperation Organization (SCO). India has also been invited by China to attend the Asia-Pacific Economic Cooperation (APEC) summit in November. After attending the Summit, the Indian premier will visit China, news reports indicate.

The resolution of the Sino-Indian border dispute will not only remove the domestic political impediments that prevent the respective leaders from formulating broader participation in the region, but will also help solve a number of issues in the financial sector and security areas that continue to undermine stability and development of the region.

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