

India China in Post liberalization

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Abstract

The bilateral relationship between India and China is often marked as rivalry and hostility in the recent past, had been warm and cordial for centuries. India was among a few non communist to accord recognition to the new regime of China at its very inception in the year 1949. Even after signing of Panch Sheel, Chinese forces when continued disturbances on the Indian boarder that reached at climax in the month of October, 1962, and it mounted a full-fledged armed attack on the India-China border. In 1963 a treaty was signed between Pakistan and China by which Pakistan handed a large part of the Indian Territory in Kashmir illegally. China also supported fully Pakistan during India – Pakistan conflict in 1965 and also in 1971. This makes the relationship between countries very toughed. This is the bone of contention for which Indo-China relation is deteriorated. The Chinese perspective towards India underwent a sea change in the later part of the post cold war period. India attempts to open its economy through its ambitious economic liberalization programme. Hence the Indo-China relation is explained in the context of Chinese perspective towards India, India China relation in post cold war era, strengthening of Indo-US relation, G-7 matter, economic liberalization, demolition of Soviet Russia, South East Asia and their relationship in the context of WTO.

Key words: Liberalisation, General agreement on Tariffs and trade, Privatisation, World trade organization, Globalisation, International Monetary fund, foreign direct investment, New Economic world order,

Introduction

The bilateral relationship between India and China, which is often termed as rivalry and hostility in the recent time, had been very warm and cordial for centuries. China and India contribute to an exceptionally very older history and relationship. They have thousand years of relationship.

The cultural and economic relation between the two Asian giants can be dated back from very ancient times. In those days several Chinese pilgrims and philosophers such as Fa xian and Xuanzang, Huang san, Confucius had visited India to learn about Buddhism and Indian culture. Even during the period of colonial era, the Indian leaders supported the Chinese freedom struggle against the colonialism. Both India and China began planned for national development in the early 1950s following Indian independence in 1947 and Chinese independence in 1949. India was among a few non communist to accord recognition to the newly regime of China at its very inception in the year 1949. China largely had a command economy structure until the late 1970s. At that time India has adopted a mixed economy, state regulation of economic activity was fairly extensive until 1991. Before this in 1950s, both India and China were at similar stages of development. India even advocated the cause of Red China's rightful claim to enter into United Nations Organization's membership. This won India the dissatisfaction of western powers. India China trade affairs are the most key ingredient of two-sided relations between both countries. Although there are many gaps that define the Indo-China relationship like trade gap, the border perception gap & the GDP growth rate gap etc. Instead of the trade gap between both the Countries, among the most encouraging developments in India-China ties is the rapid increase in bilateral trade.

The emergence of India and China after Liberalisation has been considered as the World's fastest developing economies. Liberalisation aimed at eliminating structural and institutional rigidities which are a drag on economic performance, promoting export growth and attracting greater flows of foreign direct investment (FDI). India also signed an agreement with China in 1954 when Jawaharlal Nehru was the Prime Minister, It is known as Panch sheel (five principles). These principles are 1. Respect for each other's territorial integrity and sovereignty, 2. Non aggression, 3. Non interference in each other's internal affairs, 4. Equality and mutual benefit, 5. Peaceful co existence.

On the other hand Chinese forces continued disturbances on Indian border. This reached at climax in October, 1962 when China mounted a full-fledged armed attack on the India-China border. Then after China started coming very close with Pakistan. In the year 1963 a treaty was signed between Pakistan and China by which Pakistan handed a large part of the Indian Territory in Kashmir illegally. China also supported to Pakistan during Indo – Pak conflict in 1965 and also in 1971. In 1976 there is some improvement has been made in the relationship between

India and China during Janata Govt. when Mr. Atal Bihari Vajpayee was the foreign minister. There after even the leaders of both India and China have ascertained at regular interval to improve their relationship and to solve their border dispute. But in recent years their relationship has been reduced on border issue be it Doklam, Galwan valley or others. Now a day's taking into the present situation between India and China, the famous slogan Hindi Chini bhai bahi becomes irrelevant.

Objectives of Liberalization

The basic aim of liberalization was to put an end to those restrictions which became hindrances in the development and growth of the nation. The loosening of government control in a country and when private sector companies' start working without or with fewer restrictions and government allow private players to expand for the growth of the country depicts liberalization in a country.

Objectives of Liberalization Policy

- To increase competition amongst domestic industries.
- To encourage foreign trade with other countries with regulated imports and exports.
- Enhancement of foreign capital and technology.
- To expand global market frontiers of the country.
- To diminish the debt burden of the country.

Economic liberalization in India:

A revolutionary changes takes place in Indian economy after the introduction of new economic strategy in the year 1991 which had a great impact on every sphere. When a nation becomes liberalized, the economic effects can be intense for the country and for investors. India grew at a slower pace than China, which had been liberalising its economy since 1978. Whereas Liberalization started in India in 1991 when Mr. Narashima Rao was the Prime minister of India. The economic liberalisation in India referred to the economic liberalisation of the country's economic policies, with the goal of making the economy more market- and service-oriented, and expanding the role of private and foreign investment. It begins by relaxing these obstacles and relinquishing some control over the direction of the economy to the private sector. The basic aim of liberalization was to put an end to those restrictions which became hindrances in the development and growth of the nation. Economic liberalisation is relaxing the government regulations in a country to allow the private sector companies to operate business

transactions with comparatively fewer restrictions. Liberalisation has improved the flow of capital, Stock Market performance, Political risk reduced, diversification for Investors, positive Impact on Agriculture etc.

By the turn of the 21st century, India had progressed towards a free-market economy, with a substantial reduction in state control of the economy and increased financial liberalisation. This has been accompanied by increases in life expectancy, literacy rates, and food security, although urban residents have benefited more than rural residents. Developing countries embark on economic liberalisation to close the gap between their potential and actual economic performances.

Positive and negative impacts of liberalisation in India

Free flow of capital: Liberalisation has improved flow of capital into the country which makes it inexpensive for the companies to access capital from investors. Lower cost of capital enables to undertake lucrative projects which they may not have been possible with a higher cost of capital pre-liberalisation, leading to higher growth rates. on the other hand the negative aspects of liberalisation is the destabilization of the economy: Tremendous redistribution of economic power and political power leads to Destabilizing effects on the entire Indian economy.

Political Risks Reduced: Due to Liberalisation policies in the country, it lessens political risks to investors. The government can attract more foreign investment through liberalisation of economic policies. These are the areas that support and foster a readiness to do business in the country such as a strong legal foundation to settle disputes, fair and enforceable laws. on the other hand negatively it becomes a threat for Multinationals. Prior to 1991 MNC's did not play much role in the Indian economy. In the pre-reform period, there was domination of public enterprises in the economy. On account of liberalisation, competition has increased for the Indian firms. Multinationals are quite big and operate in several countries which has turned out a threat to local Indian Firms.

Impact on Agriculture: Adoption of liberalisation in Indian, it had a great great impact in the area of agriculture. The cropping patterns has undergone a huge modification, but the impact of liberalisation cannot be properly measured. It is observed that there are still all-pervasive government controls and interventions starting from production to distribution for the produce. From negative point of view that due to liberalisation Acquisitions and mergers are increasing day-by-day. In cases where small companies are being merged by big companies, the employees

of the small companies may require exhaustive re-skilling. Re-skilling duration will lead to non-productivity and would cast a burden on the capital of the company.

Stock Market Performance: Liberalisation brings the rise of stock market performance. Generally, when a country relaxes its laws, taxes, the stock market values also rise. Stock Markets are platforms on which Corporate Securities can be traded in real time. on negative point of view it had a impact FDI in Banking sector: Foreign direct investment allowed in the banking and insurance sectors resulted in decline of government's stake in banks and insurance firms.

Diversification for Investors: In a liberalised economy, Investors gets plenty of benefits by being able to invest a portion of their portfolio into a diversifying asset class. while it had a negative impact on small scale and medium scale industry. The rapid increase in technology forces many enterprises and small scale industries in India to either adapt to changes or close their businesses.

India china relation in Post cold war era:

The goals and objectives of India and Chinese foreign policy have gone a drastic changes in the post cold war period. During this era India and china have redefined their foreign policy a goal in tune with the logic of emerging new world order (NIEO) and instead of ideology factor and becomes more closer. China is focused on its military security, protection sovereignty and territorial integrity, economic prosperity, social welfare, modernisation etc. for this it take the help of India. Peace in the neighborhood has top the china's south Asian foreign policy agenda especially towards India. There is a realisation of India and China that economic development will not be possible without peace. After that its competitive ambitions to achieve the status of global power raised.

Demolition of Soviet Russia: The demolition Union of Soviet socialistic Republic (USSR) in 1990s brought the end of bi polar world. During this period the Soviet Union disintegrated into independent nations and the United States emerged as the single largest world power, making the world unipolar. The psychological incompatibility between two super powers, Russia and America comes to an end after demolition of USSR. Now the suzerainty of United States of America gives birth to unipolar world. In post cold war era India tried to be closer with America. It coincided with India opening doors to foreign private capital in its historic Liberalization, Privatization, and Globalization (LPG) move.

Chinese perspective over India: The Chinese perspective towards India underwent a sea change in the later part of the post cold war period. India attempts to open its economy through its ambitious economic liberalization programme. It is sincerely attempting to economically engage with its East Asian countries. Its emergence as a nuclear power, progress in missile development, Information Technology and also Indo- US relation has drastically change its stand and position. The above cited factor has changed the traditional mindset of China to underestimate India. It realised that India will emerge as a major power in Asia and will play a major role in International politics on account of its increasing economic growth and military capacity.

Globalization: The economy of India had undergone significant policy change in the beginning of the 1990s. The new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation is on. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world. The chain of reforms that took place with regards to business, manufacturing, and financial services industries, increasing of economy of the country to a more potential level. These economic reforms had influenced the overall economic growth of the country in a significant manner. Due to Liberalisation, Privatisation and Globalisation, the cottage industry and small scale industries in India were very much affected because Chinese products are plenty available in the Indian market at a very lowest price. During this period the relationship between India and China was also cordial in to some extent.

Strengthening of Indo-US Relations in the post cold war era: India and the United States of America had built a strong and strategic bilateral relationship and continue to the International peace and prosperity and tranquility. Now, India is an indispensable partner for the United States. Today both are among the most vibrant foreign strategic partners. But China is opposing this type good relationship between India and USA. In the Sino-Indian war of 1962, the US extended help to India against China's attack.

India China relation in G-7 matter: The group of seven members (G-7) is an International inter governmental economic organization consisting of seven major developing countries – Canada, France, Germany, Italy, Japan, United kingdom, United states of America etc. they are the largest IMF advanced countries in the world. Recently, the US President Donald Trump's

proposed for expanding the G-7 in order to include four new countries including India, South Korea, Australia and Russia. To him, India could reshape the global economic and security architecture if it materialises. Trump's idea of expanding the G-7 to include India, in the manner in which China handled the COVID-19 pandemic, and deliberately misled the rest of the world, causing untold death and destruction. In order to understand what caused such intense anger amongst the international community, the United States of America has proposed the expansion of G-7 to include India and three other countries.

After this proposal of Trump, the Chinese Communist Party said India would be playing with fire if it joined the expanded G-7, and India-China relations would "deteriorate." The expansion was "not in India's interest," In this context Russian foreign ministry said that expansion of the G-7 was "a step in the right direction." However, without China's participation, it "will not ensure universal representation." India has excellent relations with all members of the G-7.

India and China in WTO: The World Trade Organisation (WTO) established on 1st January 1995 under the Marrakesh Agreement. It was signed by 123 nations on 15 April 1994. WTO replaced the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. WTO is the largest international economic organization in the world. It's basic principle is based on the principle of non-discrimination, and this principle protects international trade between countries.

India joined WTO in 1st January 1995 and also the member of GATT since 8th July, 1948 while China joined WTO in 11th December 2011. India and China are parties to WTO agreements, unilateral acts without invoking exceptions under the GATT would be considered as violation of the non-discrimination principle in the GATT-WTO regime. Rapidly growing India-China two-way trade has attracted the attention of scholars and trade policy formulators' the world over. The trade policy components of India and China and links up with historical perspectives of trade policy developments. Now the recent standoff at Galwan has fuelled debates on how we should alter our trade ties with China.

The present situation with China qualifies the 'objective test' laid down for the justiciability of Article XXI. If the Government of India thinks it "necessary for the protection of its essential security interest", it can restrict trade or can take any other necessary measure, which without the application of Article XXI, would be in contravention of its GATT obligations. China's threat to

take India to the WTO does not carry weight as the GATS under the WTO permits exemption under security considerations.

Midi's pragmatic foreign policy in tackling China: During Congress dominated period, the foreign policy of India was not so dynamic on different issue. On the other hand during the prime ministership of Modi, India adopted a dynamic foreign policy. Foreign policy of India becomes strengthened. Diplomatic relation was maintained very strategically with different countries of the world. India's foreign policy during Modi is characterised by a singular emphasis on securing India's national security as the central focus of India's foreign policy. Modi projecting a cooperative path and the other China is characterized by mutual rivalry and conflict. The primacy of the neighborhood for Modi is clear. Unlike previous leaders, he is eager to use foreign policy as a means to generate inward investment, business, and technology for domestic growth and development. As a pragmatic leader, Modi is enhancing regional cooperation and stability in South Asia. He is more emphasizing on national security and security system is strengthened. "For the Chinese leadership, a foreign policy position is a unified, theoretically articulated, comprehensive design for expansion.

Now a day's taking into the present situation between India and China, the famous slogan Hindi Chini bhai bahi becomes irrelevant. In recent years the relationship between India and China has been reduced on border issue be it Doklam or Galwan valley matters. Though the border disputes between India and China becomes an important International issue yet it is still bi lateral in nature which can be amicably settled between India and China.

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